

December 1992

# Superfund Program Management



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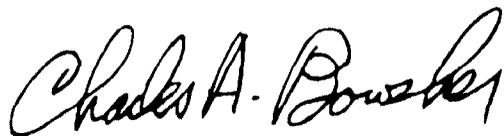
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This report is one of the high-risk series reports, which summarize our findings and recommendations. It describes our concerns over the Environmental Protection Agency's (EPA) management of the Superfund program. In view of the escalating costs of hazardous waste cleanups and the growing constraints on federal resources, it focuses on the need for informed judgments to allocate resources among competing environmental protection needs. It also discusses EPA's limited recovery of Superfund cleanup costs from private parties and inadequate attention to contract management.

Copies of this report are being sent to the President-elect, the Democratic and Republican leadership of the Congress, congressional committee and subcommittee chairs and ranking minority members, the Director-designate of the Office of Management and Budget, and the Administrator of the Environmental Protection Agency.



Charles A. Bowsher

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(Superfund), which is primarily financed by a tax on crude oil and certain chemicals and by an environmental tax on corporations. Federal agencies cannot use the Superfund to finance their cleanups but instead must rely on the agencies' annual appropriations.

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The Problem

An effort as costly as our nation's hazardous waste cleanup problem should be justified on evidence that expenditures will result in commensurate benefits to human health and the environment. However, Superfund expenditures have not been based on an adequate comparison of the sites' risks with other environmental problems.

Superfund's enormous projected costs also underscore the need for efficient program administration. We have frequently reported, however, that deficiencies in EPA's efforts to recover costs from responsible parties and in its management of contractors have increased expenses unnecessarily.

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The Causes

Some experts think hazardous waste sites are a lesser concern than other environmental threats, such as global atmospheric changes. But today, the federal government lacks an adequate system for

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# Overview

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The Superfund program was created in 1980 as a short-term project to clean up the nation's worst hazardous waste sites. At that time, the extent and severity of the country's hazardous waste problems were thought to be limited. Although a definitive cost estimate for completing the cleanup effort has yet to be determined, it is clear that in the coming decades, cleanup of thousands of Superfund sites, hundreds of which are owned by the federal government, could cost hundreds of billions of dollars.

The actual level of future funding will depend on federal budget constraints and the priority assigned to the cleanup effort relative to other national needs. Since fully funding the cleanup will be difficult at best, efficient use of whatever funds are made available for cleanup is vital. The better the effort is managed by the Environmental Protection Agency (EPA), the greater the likelihood that more cleanups will be completed, resulting in better protection of human health and the environment.

The Superfund law requires the parties that are responsible for contaminated sites to clean them up or to reimburse EPA for the cleanups it performs. To pay for EPA cleanups, the law established a trust fund

specifically, EPA failed to properly control contractors' costs or reduce Superfund's vulnerability to excessive damage claims resulting from contractors' negligence.

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**GAO's  
Suggestions for  
Improvement**

EPA has taken positive steps to address some of these problems. For example, it has begun to develop a risk-based planning approach that would give priority to problems posing the greatest danger. Also, EPA has worked harder to compel responsible parties to perform cleanups themselves and has recently proposed new regulations for recovering more of its costs. The agency has also placed new emphasis on monitoring contract costs.

These actions alone, however, are unlikely to solve Superfund's problems. We have recommended additional steps, among them that EPA work with the Congress to reorder its budget priorities to reflect the relative risks of environmental problems. We also said that EPA should place more emphasis on recovering program costs—for instance, by working to recover more of its costs and by keeping better records of negotiations—and that the Congress should permit EPA to charge greater interest on its costs. We have also recommended additional changes in

assessing the health and environmental risks posed by Superfund sites relative to other environmental problems. Without this information, priorities cannot be set or resources allocated effectively.

With regard to how efficiently the Superfund is being used, EPA has recovered only a small fraction of the Superfund resources that it has spent. As of September 30, 1992, EPA had collected just 10 percent of the \$5.7 billion that it had classified as recoverable from responsible parties. Because it lacks complete data on its past recovery efforts, EPA cannot explain this low rate of repayment, but we have reported that EPA has failed to control collection efforts sufficiently or to seek full recovery of its costs. For example, although EPA has recently proposed regulations to change its approach to recovering indirect costs, so far it has excluded from its recovery efforts over \$1 billion in such costs. In addition, potential recoveries have been reduced by the Superfund law's restrictions on charging interest.

Although it relies heavily on contractors to perform much of its cleanup work, EPA until this year ignored long-standing deficiencies in the management of its contracts. More

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# Superfund

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Disposal of hazardous waste at thousands of landfills, industrial plants and other locations across the country has contaminated these sites and endangered nearby communities. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) created the Superfund program to clean up the most dangerous of these sites. Originally given \$1.6 billion and a 5-year life, the program has twice been reauthorized and now has a spending cap of \$15.2 billion; it is expected to run indefinitely. As of September 30, 1992, EPA had identified 1,275 Superfund sites. (See fig. 1.)

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**Overview**

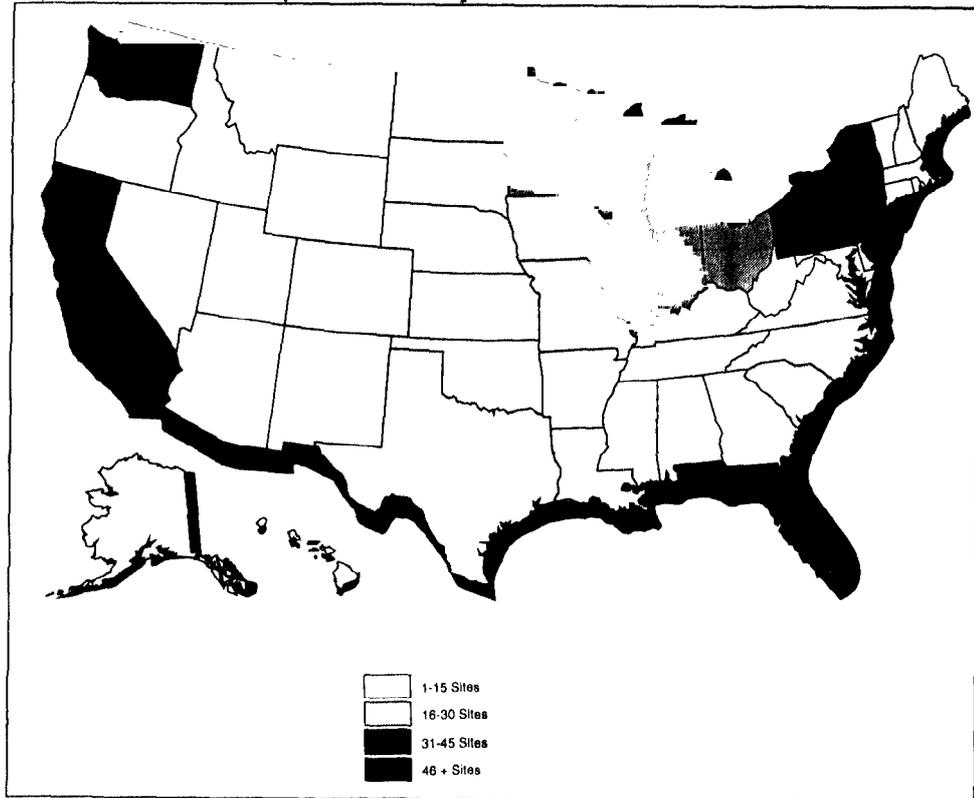
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**EPA's contract management, particularly in limiting Superfund's liability for damage claims.**

clean them up. If responsible parties cannot be located, are unable, or are unwilling to perform the cleanup, EPA is authorized to clean up the sites itself and seek recovery of its costs from the parties. To pay for EPA cleanups, CERCLA established a trust fund (Superfund) to be financed primarily by a tax on crude oil and certain chemicals, such as arsenic and mercury, and by an environmental tax on corporations.

The estimated costs of cleaning up Superfund sites have grown rapidly over the past 12 years. At the end of fiscal year 1992, EPA had obligated about \$11.4 billion but had completed cleanups at fewer than 12 percent of the current Superfund sites. (See fig. 2.) EPA has estimated that the fund's share of the costs to clean up current sites will be \$40 billion and recognizes that many more sites will be added to Superfund over time. A 1991 University of Tennessee study estimated that if Superfund grew to 6,000 sites, cleanup costs for EPA and the private sector, excluding costs for federal facilities and Superfund's administration, could amount to \$300 billion in 1990 dollars over the next 30 years.

Figure 1: Number of Superfund Sites by State

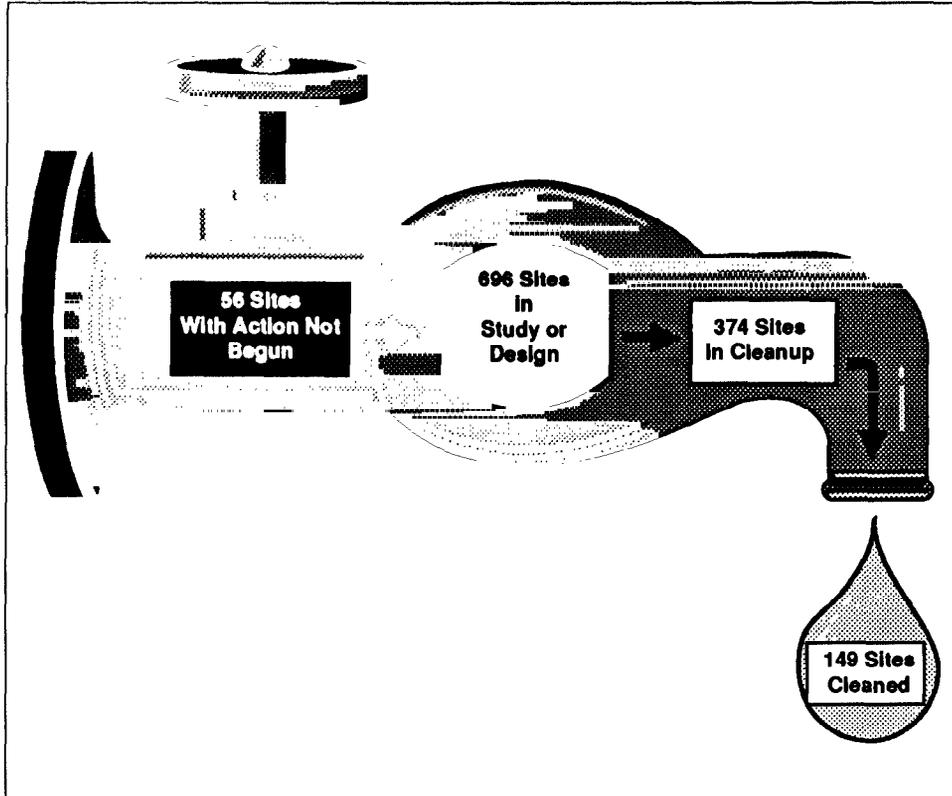


Source: GAO presentation of EPA data.

*CERCLA authorizes EPA to compel parties responsible for contaminated Superfund sites, such as waste generators, waste haulers, and site owners or operators, to*

Department of Defense (DOD) and the Department of Energy (DOE) total close to \$200 billion. Although these estimates represent a large portion of the potential federal costs, the full picture is not yet known. Federal agencies cannot pay for their cleanups through Superfund's trust fund but must obtain funds from other appropriations.

Figure 2: Status of 1,275 Superfund Sites in Cleanup Pipeline, as of September 30, 1992



Source: GAO presentation of EPA data.

Current cost estimates for cleaning up the federal government's hazardous waste legacy are also staggering. Estimates for the

of environmental risk: Superfund accounts for about one-fourth of EPA's budget. In contrast, global atmospheric changes and indoor air pollution, which some experts rank as higher risks than Superfund sites, have received less public attention and fewer resources.

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Insufficient  
Information to  
Define Risks

One reason for disagreements over the danger posed by Superfund sites may be the limited information that the government has for assessing these sites' risks and for comparing them with other environmental risks. (See fig. 3.) In 1991, we reported that the U.S. Public Health Service's Agency for Toxic Substances and Disease Registry had not adequately assessed the health risks of many Superfund sites. The National Research Council also recently concluded that critical information on the health effects associated with these sites was lacking because limited resources had been devoted to studying this subject.<sup>1</sup> Furthermore, existing data are inadequate to characterize the extent of some of the nation's other environmental risks, such as the threats posed by toxic air emissions and coastal water pollution, according to EPA.

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<sup>1</sup>Environmental Epidemiology: Public Health and Hazardous Wastes, U. S. National Research Council, Committee on Environmental Epidemiology (Washington, D.C.: 1991).

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## Setting Priorities and Allocating Limited Resources

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As constraints on the federal budget grow, environmental needs are increasingly competing for federal funds. Although funds should be allocated to the programs that most effectively reduce health and environmental risks, the government has not assessed the comparative risks of the nation's environmental problems, in part because it does not have the necessary data or methodologies. The huge sums needed to clean up Superfund sites and disagreements about the dangers posed by these sites make risk-based funding decisions especially important. EPA has begun to develop a strategic plan for responding to environmental problems on the basis of estimated risks, but full implementation is a long way off.

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### Differing Views on Dangers of Hazardous Waste Sites

Opinions on the relative risks of hazardous waste sites and other environmental problems differ considerably. Scientific assessments have generally suggested that contamination from hazardous waste sites poses a lesser risk than other environmental problems. However, public opinion, according to 1988 and 1990 Roper polls, considers hazardous waste sites to be a high risk. Federal funding appears to be more closely aligned with the public's perception

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Better System  
Needed to  
Allocate Limited  
Funding

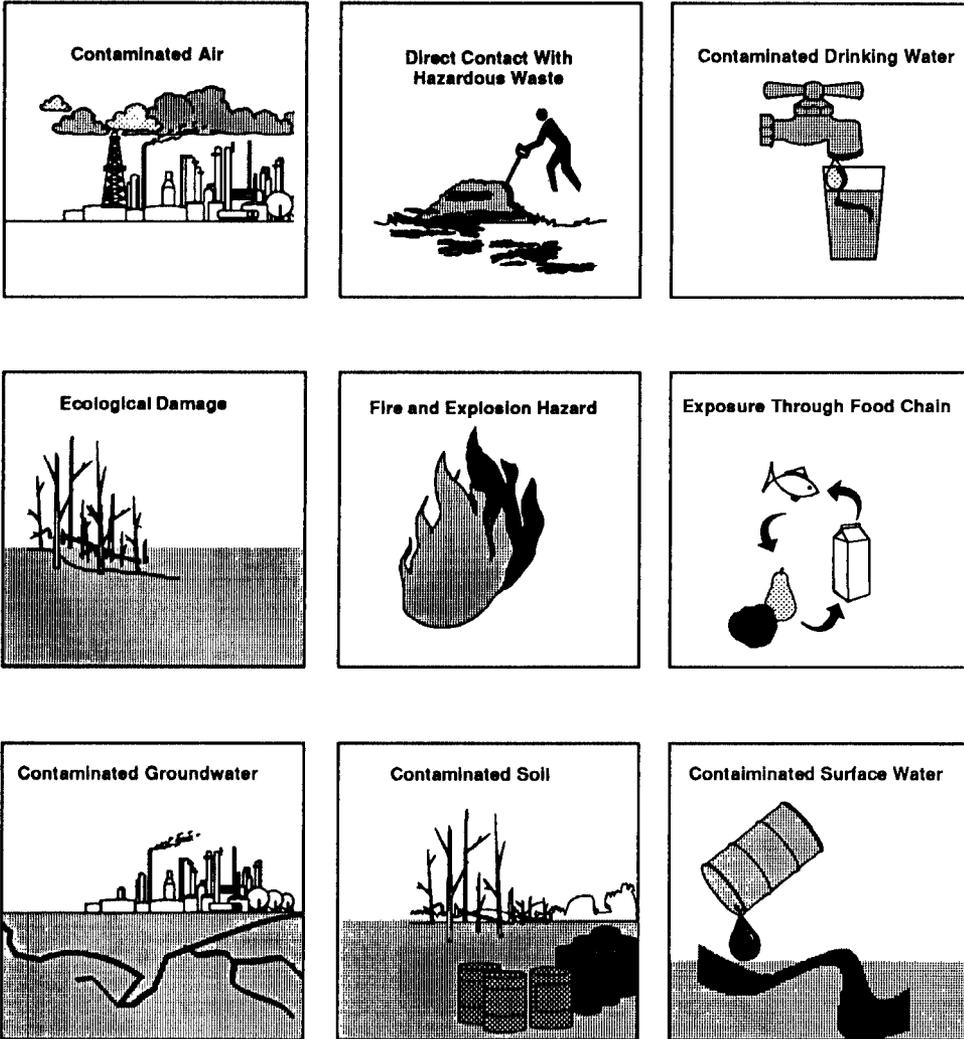
In addition to inadequate information, the government does not have a good system for allocating funding to environmental problems in accordance with risk. We have recommended that EPA work with the Congress to shift resources from environmental problems whose risks are less severe to problems whose risks are greater and to educate the public about relative environmental risks. EPA's Science Advisory Board has also recommended that EPA improve the data and analytical methodologies that support the assessment, comparison, and reduction of different environmental risks and that EPA better align program priorities with health and environmental risks.<sup>2</sup>

One area that illustrates the need for risk-based priority setting is the funding of the federal government's hazardous waste cleanups. The federal government does not have an effective way to measure the relative risk of these sites across agency lines or to assign priorities to these cleanups, which could cost hundreds of billions of dollars. Although federal agencies submit annual cleanup plans to EPA for review, this review is not suitable for rank ordering federal

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<sup>2</sup>Reducing Risk: Setting Priorities and Strategies for Environmental Protection, Relative Risk Reduction Strategies Committee, EPA Science Advisory Board (Sept. 1990).

**Figure 3: Types of Environmental and Public Health Risks Addressed at Superfund Sites**



Source: EPA and GAO.

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# Increasing Recovery of Superfund Costs

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Parties responsible for contaminating Superfund sites are required by CERCLA to clean them up or to reimburse EPA for a government-funded cleanup. In recent years, EPA has compelled many responsible parties to perform cleanups directly but has recovered only a small part of the program's costs. While we are currently reviewing the reasons for the low reimbursement rate, our past work has identified some of the causes. First, EPA lacks information to adequately manage the recovery effort. Because its data are so poor, EPA cannot explain why so few costs have been recovered. In addition, as we have reported, indirect costs and interest are not being fully recovered. As a result, the federal government has been left footing much of the bill for remediating environmental problems created by responsible parties.

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## Increasing Privately Funded Cleanups

Beginning in 1989, EPA strengthened its efforts to get responsible parties to meet their cleanup obligations in an initiative called "Enforcement First." This approach gave clear preference to privately financed cleanups over Superfund-financed cleanups and increased Superfund's enforcement resources and activities. This new emphasis worked. EPA increased the annual value of

cleanups because EPA assumes that all cleanups will be funded. EPA acknowledges that a comprehensive approach to setting cleanup priorities across agency lines will be needed when the cost of federal cleanups exceeds available funding.

EPA has begun to develop a new comprehensive risk-based strategic planning approach within the agency. This approach would position EPA to assess the risks associated with environmental problems and to give priority to the greatest risks. EPA faces some constraints in adopting this approach, such as the agency's statutory authorities that limit its flexibility to shift priorities on the basis of risk assessments. Nevertheless, the agency is currently identifying what data on environmental conditions and risks are available for implementing this process.

with its low recovery of Superfund expenditures. At the end of fiscal year 1992, EPA had disbursed \$7.3 billion in federal funds for the Superfund program and had classified about \$5.7 billion of this amount as recoverable from responsible parties.<sup>3</sup> Yet EPA had agreements with responsible parties or court orders to recover only about \$795 million—just 14 percent of the \$5.7 billion—and actually collected \$546 million—10 percent of the total recoverable.

In its efforts to recover costs, EPA faces certain limitations, such as sites—referred to as “orphan sites”—that have no identified responsible parties to reimburse the agency. In addition, EPA has waived recovery of some costs as an incentive for parties to take over cleanup responsibilities at sites. The agency has not quantified the costs that cannot be recovered at orphan sites or the costs that have been waived in settlement negotiations.

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**Previously Reported  
Weaknesses**

Our past reports identified the following deficiencies in EPA’s cost recovery effort:

- Cost recovery records are incomplete and unreliable. National figures on costs

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<sup>3</sup>Additional amounts will be classified as recoverable as ongoing cleanup projects are completed.

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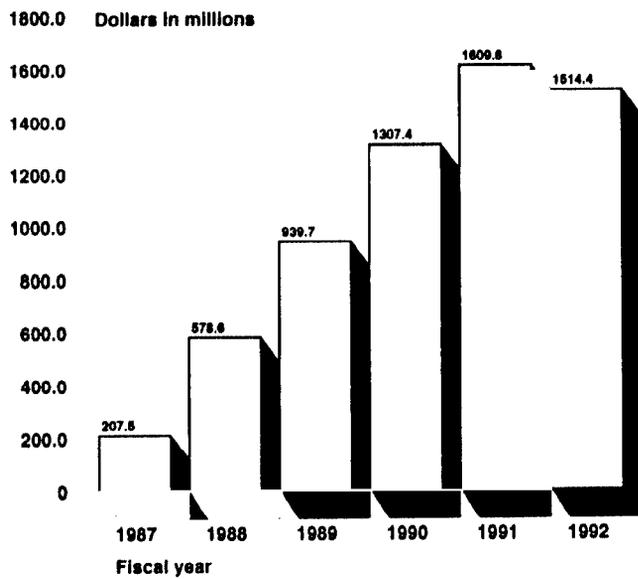
**Increasing Recovery of Superfund  
Costs**

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privately funded cleanups from \$207.5 million in fiscal year 1987 to more than \$1.5 billion in fiscal year 1992. (See fig. 4.)

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**Figure 4: Estimated Value of Responsible Parties' Cleanup Work, Fiscal Years 1987-92**



Source: GAO presentation of EPA data.

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**Low Recovery of  
Cleanup Costs**

EPA's improved record for compelling privately funded cleanups contrasts sharply

records continue to be inadequate, and, according to an EPA cost recovery program official, understaffing is still a problem. Furthermore, we recommended in 1991 that the Congress amend CERCLA to remove interest accrual restrictions, but no action has yet been taken.

The losses attributable to inadequate program information and to understaffing are unknown. However, we can estimate the value of the indirect costs and some of the interest charges that have not been recovered.

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Indirect Costs

EPA's current policy has excluded over \$1 billion in indirect costs from recovery. In 1989, we reported that EPA had not sought to fully recover its indirect costs for two reasons. First, the agency had narrowly defined "recoverable" indirect costs to exclude certain categories of costs, such as research and development. Second, the agency's formula for allocating indirect costs to Superfund sites had effectively excluded from recovery a large portion of the indirect costs that had not been categorically excluded.

expended and recovered are only approximations. Field offices have not documented realistic bottom-line positions in advance of negotiations, and negotiators have not kept records of what costs they have and have not sought to recover. Therefore, the success of the negotiations cannot be measured.

- The cost recovery effort has been understaffed and assigned a low priority, creating backlogs in cost recovery cases.
- Full costs, including indirect costs and interest charges, have not always been sought in cost recovery negotiations.
- CERCLA restricts interest charges on unpaid costs.

To address these deficiencies, our past reports have recommended that EPA (1) improve its record-keeping to permit meaningful evaluations of its performance in recovering costs; (2) strengthen its strategic planning for managing this program, including determining its staffing needs; and (3) seek fuller recovery of its program costs. As described below, EPA has proposed a rule to seek reimbursement of more of its indirect costs. However, cost recovery

funds are spent or the date that payment is demanded, whichever is later. As authorized by CERCLA, EPA sometimes waits several years after funds are expended to demand repayment. In a fiscal year 1989 settlement, for example, EPA Region V sought to recover \$81,287 in interest that had accrued from the date that it had demanded payment. However, it could have sought \$322,414—or almost four times as much—if accrual had begun from the date that funds were expended. On a broader basis, we estimated that EPA could have accrued in 1990 about \$80 million in interest on its fiscal year 1989 expenditures.

Second, CERCLA allows EPA to accrue interest on program costs only at the government's borrowing rate, which is lower than commercial lending rates. We estimate that this limit reduced the interest accrued in 1990 on fiscal year 1989 settlements by about \$25 million. Furthermore, this amount, in effect, represents a subsidy to the responsible parties that leave their cleanups to the government. Whereas the responsible parties that borrow money for cleanups have to obtain financing from lenders at commercial rates, the parties that reimburse EPA are charged the government's lower borrowing rate. Precedents for charging

In August 1992, EPA proposed regulations to change its approach to recovering indirect costs. Under this proposal, the agency would seek to recover the previously excluded categories of indirect costs and would revise its method for distributing indirect costs so that almost all indirect costs would be recoverable. This proposal, if adopted, would almost triple the indirect costs recoverable from responsible parties, according to agency estimates, and allow EPA to seek recovery of some of the over \$1 billion now excluded.

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**Interest Costs**

EPA has also missed the opportunity to recover hundreds of millions of dollars in interest costs because (1) CERCLA limits the interest that EPA can charge and (2) agency personnel have not always tried to claim interest. We estimated that in 1990 alone EPA could have accrued \$105 million in interest on its fiscal year 1989 expenditures if statutory limits on EPA's collection of interest costs had been changed.

CERCLA restricts interest charges on amounts due from responsible parties in two ways. First, it can significantly delay the date from which interest begins to accrue. CERCLA permits interest accrual from the date that

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# Inadequate Attention to Contract Management

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Billions of dollars are at stake in EPA's management of Superfund contracts. But for years the agency tolerated deficiencies in contract management—including uncontrolled costs and excessive exposure to damage claims stemming from contractors' negligence—and failed to follow through on planned corrective measures. Recently, under pressure from the Congress and others, EPA has taken steps to remedy these long-standing contract management problems. EPA will need to sustain this effort to correct these problems.

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## Controlling Contractors' Costs

EPA makes extensive use of cost-reimbursable contracts to clean up hazardous waste sites. (See fig. 5.) These contracts require special agency oversight because they reimburse the contractor for all allowable costs and therefore give the contractor little incentive to control costs. However, we have repeatedly reported that EPA has not overseen its cost-reimbursable contracts as necessary to prevent contractors from overcharging the government. For example, EPA has not satisfactorily estimated the cost of work before approving contractors' budgets or reviewed contractors' charges either before

more than the government's rate exist in other programs. The Internal Revenue Service, for example, charges an additional 3 percent on late tax payments. Therefore, we recommended that the Congress amend CERCLA to eliminate this subsidy.

Besides statutory restrictions on charging interest, failure to consistently seek recovery of some interest costs has limited EPA's collection of interest. EPA sought interest from responsible parties on only 22 of the 89 fiscal year 1989 settlements that we surveyed—making no attempt to recover about \$4.5 million out of \$10.5 million in interest—primarily because agency personnel were unfamiliar with procedures for calculating these costs. The amount of interest not sought nationally is unknown, however, because EPA does not regularly collect data on how often its negotiators try to recover interest. Although EPA has issued guidance identifying where assistance in calculating interest is available and has adopted an automated system that can calculate interest costs, it has not determined whether its personnel are now consistently seeking to recover interest.

We reported in 1988 and 1991 that EPA had not protected itself against potentially wasteful contract spending by preparing independent government cost estimates—that is, the government's own projection of what contract work should cost. These estimates protect the agency from depending too heavily on the contractor's cost proposal for judging what contract work should cost.

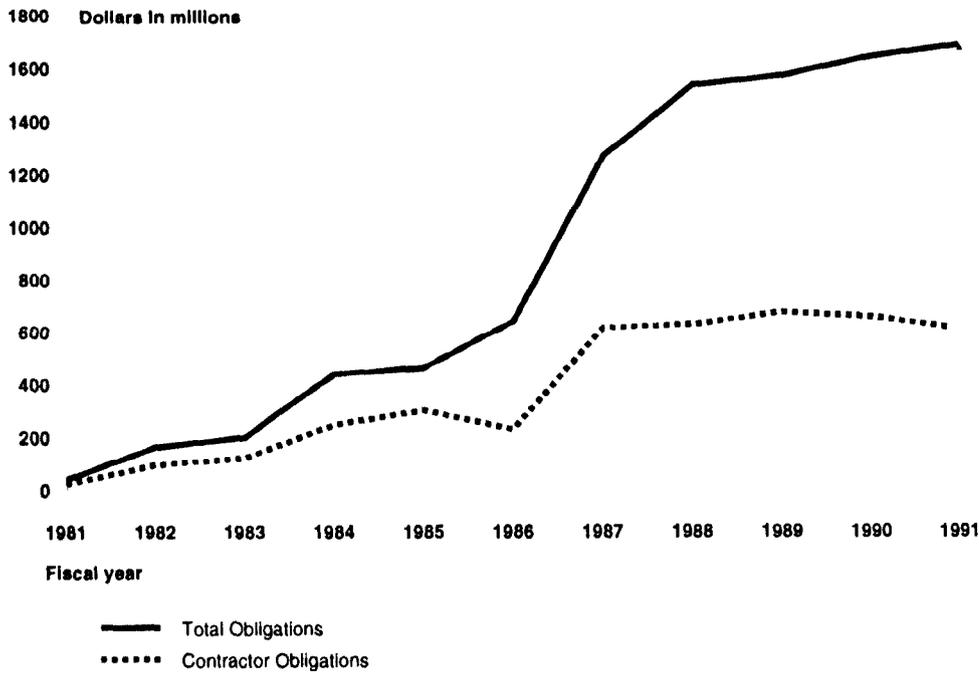
EPA regional staff had prepared independent government cost estimates for only 4 of 30 cleanup studies that we reviewed in 1991. Although used infrequently, these estimates proved to be effective in reducing contractors' proposed budgets—in one case, from \$3 million to \$1.6 million.

In addition, EPA had not effectively used two other basic cost control techniques—invoice reviews and audits. In 1988 and 1991, we reported that EPA was not adequately reviewing contractors' monthly invoices, or bills, to ensure that contractors' charges were reasonable. We also reported in 1990 that audit backlogs had hampered the agency's timely review of the accuracy of contractors' direct and indirect cost charges and increased the vulnerability of Superfund contract dollars to waste, fraud, and abuse.

**Inadequate Attention to Contract Management**

payment or afterwards in postpayment audits.

**Figure 5: EPA's Obligations for Superfund Contracts and the Total Program, Fiscal Years 1981-91**



Note: These figures do not include obligations for Superfund contracts awarded by the U.S. Army Corps of Engineers, which handles the more expensive construction cleanup contracts.

Source: GAO presentation of EPA data.

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**Inadequate Attention to Contract Management**

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However, as we first reported in 1989, EPA has been granting almost all of its contractors unlimited indemnification, despite the law's requirements and considerable evidence that contractors would work at lower levels of protection. Under EPA's current approach, each indemnification agreement is backed by the entire unobligated balance of Superfund, which was \$1.75 billion at the beginning of fiscal year 1991. Therefore, we recommended that EPA limit Superfund's potential exposure to indemnification losses by implementing CERCLA's requirements to establish dollar limits on indemnification agreements and by determining the lowest level of indemnification that would ensure the availability of an adequate number of contractors.

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**Increasing Management's Attention to Contract Management**

After years of inattention to these repeatedly reported deficiencies, EPA—under mounting pressure from the Congress, EPA's Inspector General, and GAO—began this past year to address its contract management problems, including the root causes. EPA has elevated the procurement function in the organization, designating senior officials in headquarters and field units to be accountable for procurement efforts;

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**Inadequate Attention to Contract  
Management**

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Without controls over contractors' costs, Superfund resources can be wasted. For example, we reported in March 1992 that one of Superfund's largest contractors had included \$2.3 million of expenses not allowable under the Federal Acquisition Regulations in its indirect cost pool, a portion of which is charged to EPA. The expenses were for things such as tickets to professional sporting events, alcohol at company parties, and travel by nonemployee spouses of company employees. Additionally, we identified indirect costs of \$266,500 that, while not specifically unallowable, appeared questionable for allocation to federally sponsored contracts.

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**Reducing  
Excessive  
Indemnification**

Together with inadequate controls over cost-reimbursable contracts, overly liberal indemnification policies and practices threaten to seriously drain Superfund resources.

In 1986, amendments to CERCLA authorized EPA to indemnify contractors—that is, to pay for any damages caused by their negligence at Superfund sites—because pollution insurance was not available at that time. This indemnification was, however, to be granted only up to a limit to be specified by EPA.

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## Conclusions and Action Needed

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The cleanup of hazardous waste disposed of for generations without adequate safeguards will require a decades-long, major commitment of national resources. Because potential costs are so great, funding decisions need to be based on solid information about the risks posed by disposal sites and the benefits of cleanups. In addition, whatever funds are devoted to the effort must be managed to bring the greatest possible return. Our work has disclosed a need to better justify the budget priority assigned to the cleanup effort and improve program management.

The federal government cannot afford to spend the hundreds of billions of dollars expected to be needed to clean up Superfund sites without good assurance that this level of funding is appropriate. Finding the right funding level requires comparing the relative risks to human health and the environment of Superfund sites and of other environmental problems and the relative risk reduction that spending on Superfund cleanups and other environmental programs will achieve. Currently, decisions about funding are being made without adequate assessments of risks. If steps are taken to assess the relative risks posed by environmental problems, the Congress and

developed an implementation plan to correct problems; and reported Superfund contract management as a material weakness in its December 1991 Federal Managers' Financial Integrity Act report.

In addition, EPA has recently initiated efforts to exercise greater financial control over its Superfund contracts. For example, since early this year, it has required its staff to develop independent government cost estimates for Superfund contracts. It is also working to develop cost-estimating expertise by, for example, providing additional cost information guidance to its staff. To reduce its audit backlog, EPA has requested funding to increase the number of auditors in its Office of Inspector General. Although these steps promise to improve contract management, they will require more complete follow-through on the part of EPA's managers than has been evident in the past to ensure lasting change.

Although EPA has also taken some steps to control contractors' indemnification, it has made limited progress. For example, the agency has drafted new indemnification guidelines; however, as of November 1992, these guidelines still had to be approved by the Office of Management and Budget.

controlled contractors' costs and excessive vulnerability to indemnification losses. In the face of rising criticism over contract abuses, EPA's management has made a commitment to improve cost controls and has begun organizational and procedural changes. However, a sustained effort is essential if permanent improvements are to be achieved. Moreover, indemnification deficiencies still have not been corrected and remain a threat to the program's resources.

**EPA will have a more rational basis upon which to debate the allocation of limited federal resources.**

Although EPA has increased privately funded cleanups, it has not improved its chronically low recovery of Superfund costs. Our reports have identified the following causes of this low recovery: inadequate records to evaluate recovery efforts, understaffing, failure to pursue many costs, and statutory restrictions on interest charges. EPA has proposed a rule to enlarge the definition of recoverable indirect costs, but other changes are needed. For example, EPA needs to develop the necessary information to assess the adequacy of its efforts to return past expenditures to the trust fund. In addition, amendments to CERCLA's interest provisions would increase the costs that EPA could seek to recover and eliminate the current subsidy to responsible parties that leave cleanup work to the government. Given Superfund's potentially enormous costs, failure to make these changes could be very expensive.

Until this year, EPA had not given high priority to managing Superfund contracts even though it contracts out work worth billions of dollars. Our reviews have disclosed the results of EPA's neglect: poorly

Superfund: A More Vigorous and Better  
Managed Enforcement Program Is Needed  
(GAO/RCED-90-22, Dec. 14, 1989).

Superfund: Contractors Are Being Too  
Liberally Indemnified by the Government  
(GAO/RCED-89-160, Sept. 26, 1989).

Making Superfund Work Better: A Challenge  
for the New Administration (GAO/T-RCED-89-48,  
June 15, 1989).

Superfund Contracts: EPA's Procedures for  
Preventing Conflicts of Interest Need  
Strengthening (GAO/RCED-89-57, Feb. 17, 1989).

Environmental Protection Agency:  
Protecting Human Health and the  
Environment Through Improved  
Management (GAO/RCED-88-101, Aug. 16, 1988).

Superfund Contracts: EPA Needs to Control  
Contractor Costs (GAO/RCED-88-182, July 29,  
1988).

# Related GAO Products

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Superfund: EPA Cost Estimates Are Not Reliable or Timely (GAO/AFMD-92-40, July 1, 1992).

Federally Sponsored Contracts: Unallowable and Questionable Indirect Costs Claimed by CH2M Hill (GAO/T-RCED-92-37, Mar. 19, 1992).

Superfund: EPA Has Not Corrected Long-standing Contract Management Problems (GAO/RCED-92-45, Oct. 24, 1991).

Superfund: Public Health Assessments Incomplete and of Questionable Value (GAO/RCED-91-178, Aug. 1, 1991).

Superfund: More Settlement Authority and EPA Controls Could Increase Cost Recovery (GAO/RCED-91-144, July 18, 1991).

Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97, June 18, 1991).

EPA's Contract Management: Audit Backlogs and Audit Follow-up Problems Undermine EPA's Contract Management (GAO/T-RCED-91-5, Dec. 11, 1990).

**Accountability  
Issues**

Defense Inventory Management  
(GAO/HR-93-12).

Internal Revenue Service Receivables  
(GAO/HR-93-13).

Managing the Customs Service (GAO/HR-93-14).

Management of Overseas Real Property  
(GAO/HR-93-15).

Federal Transit Administration Grant  
Management (GAO/HR-93-16).

Asset Forfeiture Programs (GAO/HR-93-17).

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# High-Risk Series

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## Lending and Insuring Issues

Farmers Home Administration's Farm Loan Programs (GAO/HR-93-1).

Guaranteed Student Loans (GAO/HR-93-2).

Bank Insurance Fund (GAO/HR-93-3).

Resolution Trust Corporation (GAO/HR-93-4).

Pension Benefit Guaranty Corporation  
(GAO/HR-93-5).

Medicare Claims (GAO/HR-93-6).

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## Contracting Issues

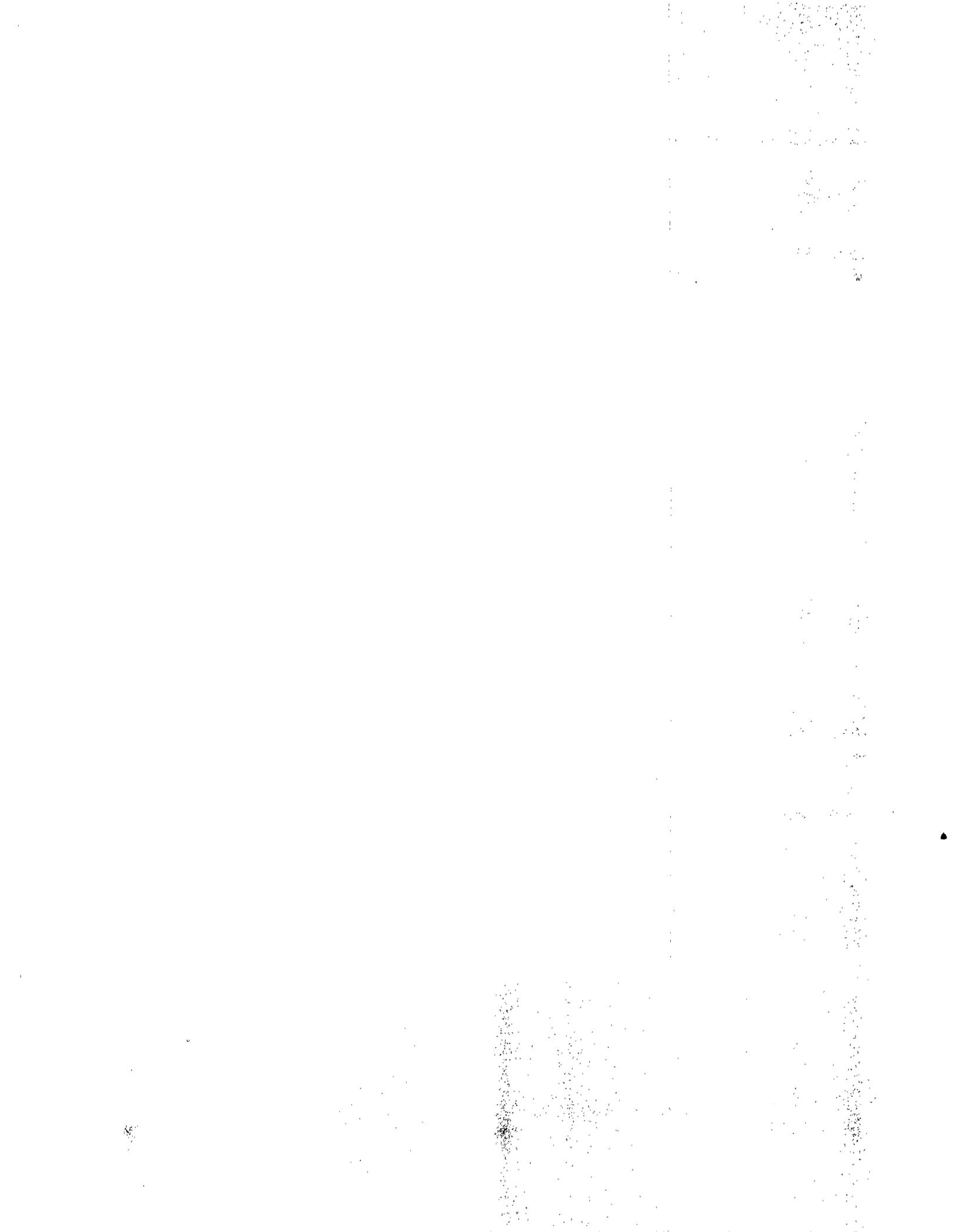
Defense Weapons Systems Acquisition  
(GAO/HR-93-7).

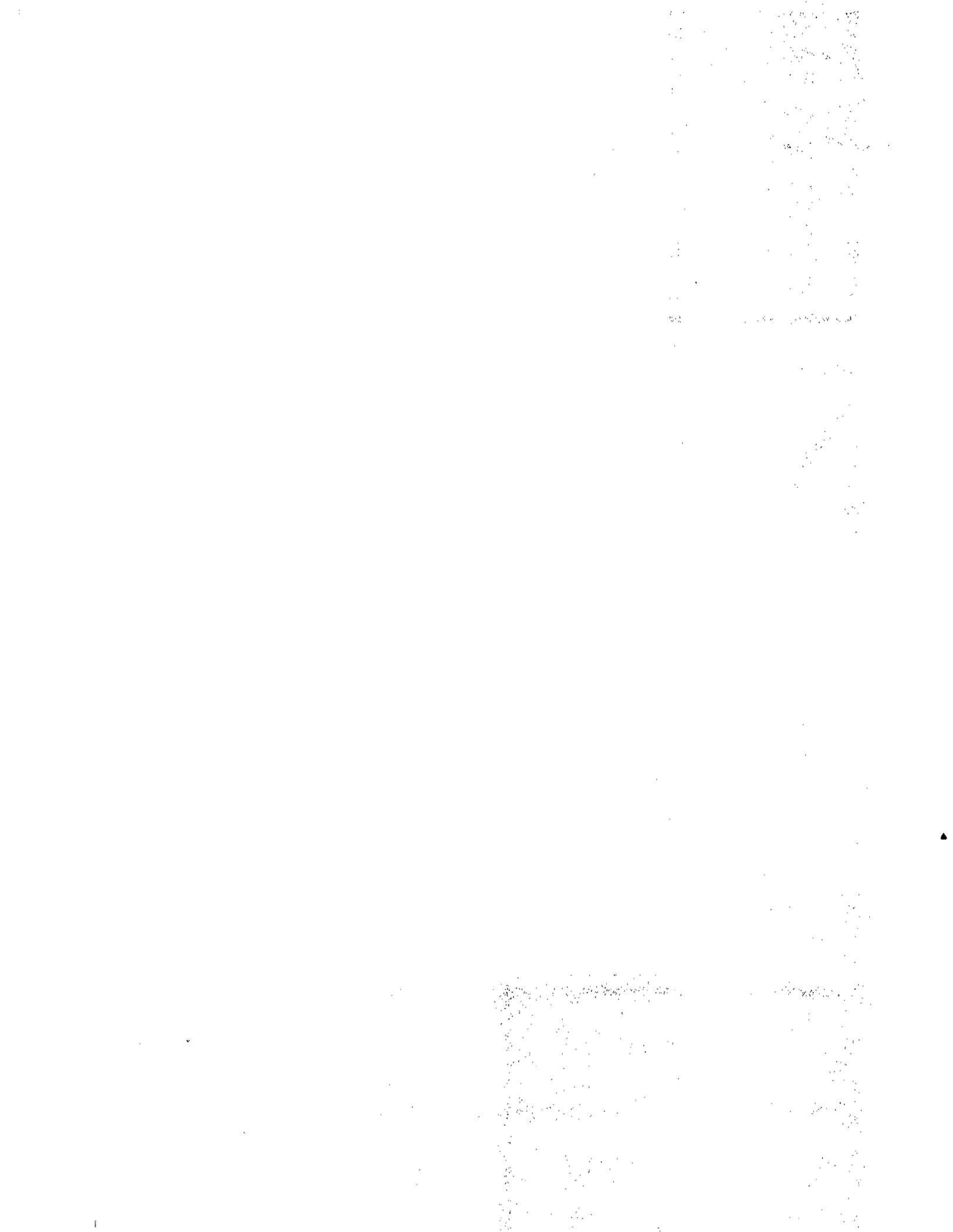
Defense Contract Pricing (GAO/HR-93-8).

Department of Energy Contract Management  
(GAO/HR-93-9).

Superfund Program Management  
(GAO/HR-93-10).

NASA Contract Management (GAO/HR-93-11).





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Comptroller General  
 of the United States

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President of the Senate  
 Speaker of the House of Representatives

In January 1990, in the aftermath of scandals at the Departments of Defense and Housing and Urban Development, the General Accounting Office began a special effort to review and report on federal government program areas that we considered "high risk."

After consulting with congressional leaders, GAO sought to identify areas that are especially vulnerable to waste, fraud, abuse, and mismanagement. We then tried to see whether we could find the fundamental causes of problems in these high-risk areas and recommend solutions to the Congress and executive branch administrators.

We identified 17 federal program areas as the most vulnerable. These program areas were selected because of weaknesses in internal controls (procedures essential to guard against fraud and abuse) or in management systems (which are essential to promoting good management, preventing waste, and assuring accountability). Correcting these problems is essential to safeguarding scarce resources and assuring efficient and effective use on behalf of the American people.